

Department of Legislative Services

Maryland General Assembly

2002 Session

FISCAL NOTE

Revised

Senate Bill 651

(Senator Bromwell)

Finance

Economic Matters

**Health Insurance - Nonrenewal of Individual Health Benefit Plans -
Requirements for Carriers with Affiliates**

This bill amends Maryland Health Insurance Portability and Accountability Act (HIPAA) provisions, requiring a health insurer, nonprofit health service plan, or HMO (carrier) that offers health benefit plans through an affiliate in the individual market to meet certain notification and coverage requirements in the event the carrier elects not to renew all individual health plans.

The bill takes effect June 1, 2002.

Fiscal Summary

State Effect: The bill would not substantively change State activities or operations.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: An “affiliate” is a person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with another person.

The bill requires a carrier that offers health insurance through an affiliate in the individual market and that elects not to renew all individual health benefit plans in the State, to give

notice to each affected individual at least 180 days before the effective date of the nonrenewal. The notice must inform the individual of the option to purchase all other individual health benefit plans currently offered by the carrier's affiliate.

A carrier that offers an individual health benefit plan must offer the plan on a guarantee issue basis to any individual who is nonrenewed by the carrier's affiliate. This provision applies if the individual applies for coverage no later than 63 days after the effective date of nonrenewal.

A carrier that issues coverage under the bill's provisions cannot rate the coverage on a substandard basis unless the individual was rated on a substandard basis under the prior coverage provided to the individual by the carrier's affiliate. A carrier must waive the preexisting coverage waiting period to the extent that the individual has satisfied a waiting period under the individual's prior policy.

The Insurance Commissioner can disapprove a plan of withdrawal for health insurance if the carrier has failed to demonstrate compliance with certain renewal provisions in the small group market or the individual market.

Current Law: The federal Health Insurance Portability and Accountability Act of 1996 implemented reforms in the individual and small group health insurance markets to provide improved access and renewability for individuals seeking health insurance coverage. Maryland's HIPAA provisions guarantee health benefit plan renewability and continuation coverage in certain circumstances. A carrier must renew an individual's health benefit plan at the option of the individual, unless the individual has failed to pay premiums, has committed fraud or misrepresentation, or where the carrier elects not to renew all of its individual health benefit plans in the State. If a carrier elects not to renew all individual health benefit plans in the State, the carrier cannot write new business for individuals in the State for a five-year period.

A carrier that intends to cancel or not renew a health benefit plan for all of its covered enrollees in the State must file a plan of withdrawal with the Insurance Commissioner at least 180 days before the date of withdrawal.

Background: In May 2001 CareFirst BlueCross BlueShield, the largest health insurer in the State and the largest nonprofit health service plan, announced the withdrawal of its subsidiary HMOs, FreeState and Delmarva, from both the individual and small group insurance markets in Maryland. In consolidating this business under its Washington, DC based HMO, BlueChoice, CareFirst predicts that between 6,000 and 7,000 individuals who had purchased medically-underwritten individual health insurance will now not

satisfy the more stringent medical underwriting standards of BlueChoice and will, therefore, be deemed medically uninsurable.

Additional Information

Prior Introductions: None.

Cross File: HB 754 (Delegate Busch) – Economic Matters.

Information Source(s): Maryland Insurance Administration, Department of Legislative Services

Fiscal Note History: First Reader - March 1, 2002
mam/jr Revised - Senate Third Reader - March 21, 2002

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